

Message Text

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ACTION ARA-14

INFO OCT-01 EUR-12 ISO-00 AID-05 EB-08 AGRE-00 L-03
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C O N F I D E N T I A L SECTION 01 OF 02 OTTAWA 02112

E.O. 11652: GDS
TAGS: ETRD, EGE, CA
SUBJECT: PROPOSED PL-480 TITLE III PROGRAM FOR HAITI:
CANADIAN RESPONSE

REFS: A. STATE 100546, B. OTTAWA 1842, C. STATE 92615

1. SUMMARY: DCM MET WITH EXTAFF UNDER SECRETARY MCPHAIL AT LATTER'S REQUEST ON APRIL 21 TO DISCUSS SUBJECT PROPOSAL. MCPHAIL PRESENTED AIDE-MEMOIRE FLATLY REJECTING PROPOSAL ON GROUNDS IT WOULD DISRUPT CANADA'S COMMERCIAL MARKET AND THAT JOINING U.S. IN PROGRAM WOULD BE CONTRARY TO GOC POLICY OF NOT USING BILATERAL ASSISTANCE AS LEVER FOR EFFECTING REFORMS (TEXT OF AIDE-MEMOIRE GIVEN PARA 6). MCPHAIL WARNED THAT GOC WOULD REACT SHARPLY TO U.S. DECISION TO PROCEED UNILATERALLY. END SUMMARY.

2. AIDE-MEMOIRE CITES DISRUPTION OF CANADIAN COMMERCIAL MARKET, OBVIOUS NEGATIVE EFFECTS ON CANADA'S PRESENT ASSISTANCE PROGRAM IN HAITI, AND CONTRAVENTION OF GOC AID POLICY AS REASONS FOR GOC'S REJECTION OF PROPOSED U.S. TITLE III PROGRAM FOR HAITI. IN ELABORATING ON AIDE-MEMOIRE, MCPHAIL DID NOT DOWNPLAY ADVERSE COMMERCIAL IMPACT OF PROPOSED PROGRAM. HE EMPHASIZED, HOWEVER, THAT WHILE GOC SUPPORTS U.S. OBJECTIVES IN HAITI, USE OF
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BILATERAL AID AS LEVER TO EFFECT REFORMS IS CONTRARY TO PRINCIPLES OF CANADA'S AID POLICY, AND THAT "CONDITIONAL AID IS MORE APPROPRIATELY DISBURSED (IN CANADIAN VIEW) THROUGH MULTILATERAL INSTITUTIONS. MOREOVER, HE NOTED THAT CANADIAN ASSISTANCE TO HAITI HAD RISEN FROM CDOLS 2 MILLION IN 1975 TO CDOLS 8 MILLION LAST YEAR AND WAS LIKELY TO GO MUCH HIGHER (HE MENTIONED CDOLS 25 MILLION),

POSSIBLY MAKING CANADA HAITI'S PRINCIPAL DONOR. CANADA WOULD THUS HAVE A MAJOR POLICY INTEREST IN THE USE MADE OF AID FUNDS IN HAITI.

3. MCPHAIL STATED FIRMLY THAT EITHER THE PROSPECT OF COMMERCIAL DISRUPTION, OR OBJECTION IN PRINCIPLE TO USE OF BILATERAL AID AS LEVER, WOULD HAVE BEEN SUFFICIENT CAUSE FOR CANADA TO REJECT U.S. PROPOSAL. MCPHAIL COMMENTED THAT IF PROGRAM COULD BE IMPLEMENTED AND MONITORED THROUGH A MULTILATERAL INSTITUTION, GOC WOULD PROBABLY NOT OBJECT TO TYING AID TO HAITIAN PROGRESS IN IMPLEMENTING REFORMS. IN THIS CONNECTION, MCPHAIL MENTIONED THE COMMISSION MIXTE AND THE CARIBBEAN CONSULTATIVE GROUP AS POSSIBLE ADMINISTRATIVE MECHANISMS, BUT DID NOT COMMIT HIMSELF AS TO WHETHER THESE ARE SUFFICIENTLY "MULTILATERAL" TO GIVE GOC DESIRED COVER. MCPHAIL ALSO SUGGESTED (WITH A STRAIGHT FACE) THAT U.S. CONSIDER ALTERNATIVE OF PROVIDING FUNDS TO GOH FOR PURCHASE OF COMMERCIAL IMPORTS.

4. MCPHAIL WAS CAREFUL TO POINT OUT THAT GOC WOULD BE "QUITE DISTRESSED" BY U.S. DECISION TO PROCEED UNILATERALLY WITH PROGRAM AND WOULD REACT SHARPLY. HE ADDED THAT IF DISPLACEMENT BY U.S. OF CANADIAN COMMERCIAL MARKETS WERE TO BECOME A PUBLIC ISSUE, REACTION WOULD BE "HIGHLY ADVERSE".
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5. COMMENT: MCPHAIL WAS CAREFUL BUT QUITE FORCEFUL IN DRAWING CONTRAST BETWEEN PHILOSOPHICAL UNDERPINNINGS OF U.S. AND CANADIAN AID POLICIES. HE EMPHASIZED THAT CANADA SHARES OUR LONG-RANGE OBJECTIVES FOR REFORM IN HAITI, BUT HE CATEGORICALLY REJECTED BILATERAL AID (SO FAR AS CANADA IS CONCERNED) AS A MECHANISM TO THIS END. HE ADDED THAT GOC WOULD NOT CRITICIZE U.S. FOR ITS OWN CHOICE OF MODALITIES. IF THE DIFFERENCE OF VIEWPOINT IS AS GREAT AS MCPHAIL SEEMS TO THINK, IT WOULD RAISE SOME QUESTION AS TO HOW FAR WE WILL BE ABLE TO GO IN CONCERNING OUR AID POLICIES WITH GOC, AT LEAST OUTSIDE A FULLY MULTILATERAL FRAMEWORK.

6. TEXT OF AIDE-MEMOIRE: BEGIN TEXT:

"CANADIAN GOVERNMENT OFFICIALS HAVE STUDIED THE BOUT DE PAPIER CONCERNING THE PROPOSED PL 480 TITLE III PROGRAMME FOR HAITI LEFT WITH THE DEPARTMENT OF EXTERNAL AFFAIRS ON APRIL 14, AS WELL AS OTHER INFORMATION THE UNITED STATES GOVERNMENT HAS PROVIDED THROUGH THE CANADIAN EMBASSY IN WASHINGTON. THE FOLLOWING COMMENTS ARE

OFFERED.

"THE PL 480 PROPOSAL INCLUDES THE PROVISION OF A
SUBSTANTIAL SUPPLY OF WHEAT ON CONCESSIONAL TERMS TO
HAITI. THE PROPOSED AMOUNT OF 50,000 TONS IS EQUIVALENT
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TO MORE THAN HALF THE TOTAL HAITIAN COMMERCIAL WHEAT MARKET
OF 96,000 TONS AND APPROXIMATELY DOUBLE THE UNITED STATES'

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C O N F I D E N T I A L SECTION 02 OF 02 OTTAWA 02112

CURRENT ALLOCATION OF WHEAT ON CONCESSIONAL TERMS UNDER
TITLE I.

"THE PL 480 PROPOSAL RECOGNIZES THE PROPOSED ALLOCATION
WOULD DISRUPT THE CANADIAN COMMERCIAL MARKET FOR WHEAT
IN HAITI AND, INDEED, THE PROPOSAL MENTIONS THE POSSIBILITY
OF CANADA CEDING THE WHEAT MARKET IN HAITI FOR THE NEXT
FIVE-YEAR PERIOD. THE PL 480 PROPOSAL FURTHER SUGGESTS
THAT THE PROPOSED ALLOCATION OF WHEAT UNDER THE PROGRAMME
COULD BE INCREASED ANNUALLY THROUGHOUT THE TERM OF THE
PROGRAMME 'BY AN AMOUNT EQUAL TO THE INCREASING DEMAND'.

"CANADA IS THE MAJOR SUPPLIER OF WHEAT TO THE COMMERCIAL
MARKET IN HAITI. THE UNITED STATES' PROPOSAL, IF IMPLI-
MENTED, WOULD ELIMINATE OR VERY SERIOUSLY DISRUPT THE
EXISTING COMMERCIAL MARKET FOR WHEAT IN HAITI WITH
SIGNIFICANT DAMAGE TO CANADIAN COMMERCIAL EXPORTS.

"MOREOVER THAT ELEMENT OF THE PROPOSAL WHICH CALLS FOR
ANNUAL INCREASES IN CONCESSIONAL SUPPLY WOULD PREVENT ANY
CANADIAN PARTICIPATION IN FUTURE GROWTH OF THE WHEAT
MARKET IN HAITI.

"CANADIAN OFFICIALS HAVE CONSIDERED THE SUGGESTION BY THE
UNITED STATES THAT CANADA PARTICIPATE IN THE PROGRAMME
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WITH THE U.S.A. WHILE CANADA SUPPORTS THE OBJECTIVES
WHICH THE DEVELOPMENTAL ASPECTS OF THE PROGRAMME ARE
INTENDED TO ACHIEVE, THE PROGRAMME IS NOT IN ACCORD WITH
CANADIAN AID POLICY AND WOULD HAVE OBVIOUS NEGATIVE EFFECTS
ON CANADA'S PRESENT DEVELOPMENT ASSISTANCE PROGRAMME IN
HAITI. THE CANADIAN GOVERNMENT IS THEREFORE NOT PREPARED
TO PARTICIPATE IN THE PROPOSED UNITED STATES' PROGRAMME.

"CANADA NOTES THAT ARTICLE 9 (1) OF THE INTERNATIONAL
WHEAT AGREEMENT, WHEAT TRADE CONVENTION (1971, AS EXTENDED)
PROVIDES THAT 'MEMBERS UNDERTAKE TO CONDUCT ANY CONCES-
SIONAL TRANSACTIONS IN WHEAT IN SUCH A WAY AS TO AVOID
HARMFUL INTERFERENCE WITH NORMAL PATTERNS OF PRODUCTION
AND INTERNATIONAL COMMERCIAL TRADE.'

"ACCORDINGLY CANADA WOULD EXPECT THAT ANY PROGRAMME BY THE
UNITED STATES UNDER PL 480 IN HAITI WOULD NOT DAMAGE
CANADA'S COMMERCIAL MARKET FOR WHEAT. AREAS WHICH MIGHT
MERIT FURTHER CONSIDERATION, SHOULD THE UNITED STATES
INTEND TO PROCEED WITH THIS PROGRAMME, WOULD BE AN
EXAMINATION OF THE MIX OF COMMODITIES BEING PROVIDED WITH
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A VIEW TO REDUCING THE WHEAT ALLOCATION OR CHANGING THE
TERMS UPON WHICH WHEAT IS SUPPLIED TO INSURE THAT WHEAT
WOULD BE USED FOR ADDITIONAL CONSUMPTION AND NOT SIMPLY
DISPLACE THAT WHICH IS ALREADY SUPPLIED ON COMMERCIAL
TERMS.

"AS MENTIONED ABOVE THE DEVELOPMENT ASPECT OF THE PROPOSAL
HAS IMPLICATIONS FOR THE AID PROGRAMMES OF CANADA AND
OTHER DONORS. GIVEN THIS CANADA WOULD SUGGEST THAT, PRIOR
TO ANY PUBLIC ANNOUNCEMENT, THE PROPOSAL BE THE SUBJECT OF
DISCUSSION AT THE JUNE 12-14 MEETING OF THE COMMISSION
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MIXTE IN HAITI.

"OTTAWA, APRIL 20, 1978."
END TEXT. ENDERS

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